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How to navigate a crypto meltdown: 'Be willing to hold on'

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About half of current cryptocurrency investors have experienced "notable losses," according to a recent survey of financial advisors with clients that hold crypto.

That might not lead to an uncomfortable conversation between the advisor and a client, because until recently, financial advisors haven't generally recommended crypto investments such as bitcoin, ethereum, and the rest.

That's changing.

This week, Bank of America announced that, in January, its Merrill and Private Bank clients will be encouraged to take at least a small bit of exposure — up to 4% at most — in crypto investments. This follows similar moves by most of the major investment firms, including JPMorgan, Morgan Stanley, Charles Schwab, and Fidelity. Even the venerable index investing stalwart, Vanguard, just announced it will open its trading platform to cryptocurrency mutual funds and exchange-traded funds.

While crypto enthusiasts cheer the move, what happens when the next crypto crash occurs?

Why are advisors reversing course on crypto?

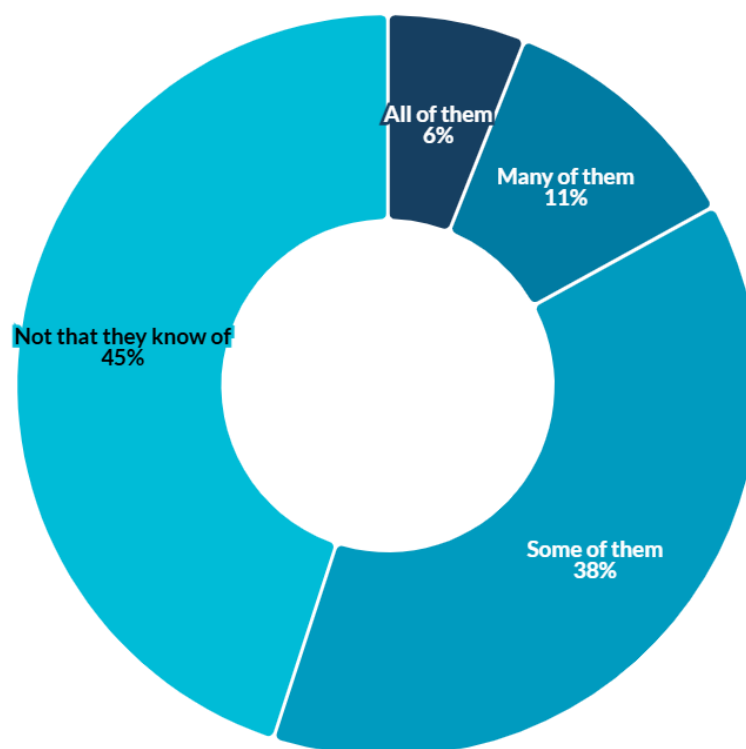
For years, financial advisors and their firms balked at cryptocurrencies as an investment. Why has that changed? Rob Burgess, a reporter for Financial Planning, a trade publication for investment advisors, says a changing regulatory and political climate are likely playing a role.

"David Sacks being the crypto czar and Trump being very crypto-friendly in his second term, whereas he was skeptical, as of just a few years ago," Burgess told Yahoo Finance. He also notes the regulatory approval of bitcoin and ethereum ETFs 18 months ago. "I think that was a huge step in legitimizing it for a lot of people."

Have clients experienced crypto losses?

Of those with clients who hold crypto, about half say at least some have experienced notable losses from the asset.

"Have any of your clients who hold cryptocurrency experienced notable losses from these holdings?"



Source: [Financial Planning, Financial Advisor Confidence Outlook \(September 2025\)](#) • Survey size: n = 159

Investors should prepare for crypto volatility

Since the first bitcoin (BTC-USD) was mined near the beginning of 2009, there have been three major "bitcoin winters" when it suffered the most dramatic losses, according to Amy C. Arnott, a portfolio strategist for Morningstar.

Bitcoin lost 75% of its value between December 2013 and January 2015.

Another crash in 2018 saw it lose about 83%.

Between November 2021 and November 2022, bitcoin was down 73%.

Arnott believes the investment community is giving bitcoin and its family of cryptocurrencies more attention because of the huge value gain over the long term — despite the volatility. In 2016, bitcoin was priced in the hundreds of dollars. In October of this year, it was in the hundreds of thousands of dollars.

A quick decline through the end of November brought bitcoin back below six

figures, wiping out gains for the year.

"I guess you could say that \$100,000 per coin is sort of a psychological threshold. People started getting worried once it moved lower than that level," Arnott said.

However, with no intrinsic value to measure, Morningstar cannot determine a price floor that would indicate a cause for concern.

"If you talk to a crypto trader, they would have all sorts of technical analysis that they do, such as price thresholds and things like that. But we don't really use technical analysis like that at Morningstar," she added.

The outlook for crypto investors

Morningstar doesn't issue an official opinion on cryptos. And most investment firms are recommending only small allocations for risk-aware clients.

"I think most of us have been relatively skeptical and said that if you do want to invest in bitcoin, you have to be very tolerant and keep it to a very small percentage of your portfolio. You know, something like 2% or less of your total portfolio," Arnott said. "Bitcoin is by far the biggest and most well-known cryptocurrency, so if you get into a lot of other cryptocurrencies, they could be even riskier than bitcoin."

Arnott says the key word for crypto investing is "speculative."

"You should definitely be willing to live with huge performance swings and be willing to hold on, even if you see a decline of 50% or more."